

April 19, 2006



Staff Presentation
Business and Labor Interim Committee



- Health Savings Account (HSA)
 - Tax-free financial accounts designed to help individuals save for health care expenses and used in conjunction with high-deductible health plans (HDHP)
- Example of "consumer-directed health plan"
- Federally established in 12/2003
 - Medicare Prescription Drug Improvement and Modernization Act of 2003
- Evolved from Medical Savings Account (MSA)

Source: NCSL Health Savings Accounts and Medical Savings Accounts, http://www.ncsl.org/programs/health/hsa.htm (4/18/06)



HSA MSA HRA FSA

Funding Eligibility

Health Plan Requirements

Contributions

Qualified Medical Expenses

Carryover

Portability

Tax Status

Withdrawals

Interest

Health Insurance Premium Payment

Source: National Association of Health Underwriters http://www.nahu.org/legislative/charts/index.cfm (4/18/06)





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HSA	MSA	HRA	FSA

Funding
Eligibility

Health Plan Requirements

Contributions

Individual and/or employer Individual
OR
employer
OR
self-employed

Employer only

Typically employee

Qualified Medical Expenses

Carryover

Portability

Tax Status

Withdrawals

Interest

Health Insurance Premium Payment

Source: National Association of Health Underwriters http://www.nahu.org/legislative/charts/index.cfm (4/18/06)



HSA	MSA	HRA	FSA

Funding

Eligibility

Health Plan Requirements

Contributions

Qualified Medical Expenses

Carryover←

Portability -

Tax Status

Withdrawals

Interest

Can carry forward

Same as HSAs

Subject to limitations of employer May not carry forward

Can take when leave job Same as HSAs

Discretion of employer

Not portable

Health Insurance Premium Payment

Source: National Association of Health Underwriters http://www.nahu.org/legislative/charts/index.cfm (4/18/06)



Who is eligible?

- Covered by a HSA-qualified HDHP
- Not eligible for Medicare
- Not covered by other health insurance plan
- Not claimed as a dependent



Who is eligible?

- Covered by a HSA-qualified HDHP,
- Not e lig@enterallyledbesract cover first dollar medical expenses
- Not covered by other health insurance plan Deductible \$1,050(self)
- Not claimed as a dependentamily)

Out-of-pocket \$5,250(self) cannot exceed: \$10,500(family)

2006 amounts, adjusted annually for inflation, Source: Dept of the Treasury (4/05)

Source: Health Savings Account, Dept of the Treasury Pamphlet (4/05)



- Cannot exceed the deductible of HDHP
- 2006 limits (adjusted annually for inflation)
 - Single \$2,700
 - Family \$5,450
- If contributions made by both individual and employer, aggregate to see if maximum met
- If over 55, may make "catch-up" contributions



Eligible expenses?

Examples

- Routine medical visits
- Diagnosis/treatment of disease
- Prescriptions/some non-prescription drugs
- Eye and dental care
- COBRA premiums
- Acupuncture
- Midwife services
- Others



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Utah
Medical Care
Savings
Accounts



Are HSAs used?

- As of Jan. 2006, 3 million people, just over 2% of private health insurance market, have HSA-qualified HDHPs
 - One survey found that of consumers with an HDHP, only 13% have an associated financial account
 - HSA/HDHP coverage in the group market rose from 397,000 in March 2005 to 1.4 million in January 2006
 - Individual market: 31% of new enrollees in HSA/HDHP plans were previously uninsured
 - Small-group market: 33% of enrollment in HSA/HDHP plans was small companies that previously did not offer coverage
 - One survey found an average balance of \$1,181



Are HSAs beneficial?

Examples of Pros and Cons

Proponents

- Enhances portability
- Affordable for young healthy workers
- Tax benefits

 Prudent buying may bring aggregate costs down

Critics

- Erodes pooling
- Premiums for people with chronic conditions may be unaffordable
- Wealthier workers benefit more from tax break
- At mercy of market without good information

Source: NCSL Legisbrief, Health Savings Accounts, March 2005



Are HSAs beneficial?

Example of Early Experiences Nationally

Benefit

More cost-conscious consumers

Possible Concerns

- Higher out-of pocket costs
- More missed health care

Source: EBRI Issue Brief No. 288, December 2005, www.ebri.org



Recent legislation?

Example

- H.B. 76 High Deductible Health Plan Option for Public Employees (2006 Gen. Session)
 - Requires PEHP to offer HDHP with HSA option
 - Limits frequency employee can change plans
 - Employer contribution determined annually
 - Employee contribution optional



What is next?



OPTIONS?